

EC202: Microeconomic Principles 2. 2016/7

<http://darp.lse.ac.uk/EC202>

Lecturers	Frank Cowell f.cowell@lse.ac.uk	32L.3.25A	🕒 Thu 12:00-13:00
	Alessandro Gavazza a.gavazza@lse.ac.uk	32L.4.21	🕒 TBA
Class teachers	Lukas Bolte l.bolte@lse.ac.uk Alkiviadis Georgiadis-Harris a.georgiadis-harris@lse.ac.uk Kasia Krajniewska k.a.krajniewska@lse.ac.uk Manuel Staab m.staab@lse.ac.uk Chutiorn Tontivanichanon c.tontivanichanon@lse.ac.uk Luke Zhang y.zhang105@lse.ac.uk		
Secretary	Rhoda Frith x6674 R.M.Frith@lse.ac.uk		
Lectures	Wed 11:00 Hong Kong Theatre CLM.G.02 [MT] Thu 14:00 Sheikh Zayed Theatre NAB.LG.08 [MT] Thu 14:00 Hong Kong Theatre CLM.G.02 [LT]		

Course Organisation

- 20 lectures in the MT focusing primarily on price-taking market behaviour by economic agents. Topics include the firm, the consumer, general equilibrium, uncertainty and risk, welfare economics. Where possible the similarity of the economic problems in each topic is exploited in order to highlight the re-use of results.
- 20 lectures in the LT examining problems of strategic interaction among economic agents. This part begins with an introduction to game theory. Fundamental solution concepts are presented and discussed in detail. Static models of complete and incomplete information and dynamic models of complete information are covered. The subgame-perfect Folk theorem and its consequences on repeated interactions are detailed in a few lectures. Some of the most relevant applications of such models of behaviour are also introduced. Particular attention will be devoted to: imperfect competition, adverse selection, signalling, moral hazard, externalities and public goods.
- 20 weekly classes beginning in week 2. Class material follows the lectures with a one-week lag.
- Course text: F. A. Cowell, *Microeconomics: Principles and Analysis* (Oxford University Press 2006) [C]. Supplementary readings in the second term taken from M. J Osborne, *An Introduction to Game Theory* (Oxford University Press, 2004) [O] and B. Salanié, *The Economics of Contracts: A Primer* (MIT Press, 2005) [S].
- The on-line resources at <http://darp.lse.ac.uk/EC202> include pdf/pptx files of lectures and some outline answers.

Individual learning

- Make *your own written notes* in lectures. Don't just rely on the on-line resources.
- Use worksheets distributed in lecture to prepare for the classes
- Use the course text to prepare for lectures and to review them afterwards. Read all of each assigned chapter (see schedule below) in order to get context.
- Work through the mini problems in the course text. They are designed to help you with the steps in the reasoning.

Class work

- Teachers assign specific students to prepare presentations of the material in the [class schedule](#)
- *All* students need to make a reasonable attempt in advance of the class. Team up in groups if you find this helpful. Make sure that you personally understand *why* the exercise “works.”
- For some classes you need to bring along the lecture worksheets you have completed.

Required hand-in work

- In specified weeks (see schedule below) you **must** hand in [assignments](#)
- These assignments will be marked and are of the same scope and difficulty as exam questions.
- These need to be *your own* work. Do *not* work with others on your hand-in assignments.

Weekly schedule: Lectures, Reading and Classes

<i>Week</i>	<i>Lecture Topics</i>	<i>Text</i>	<i>Extra reading</i>	<i>Hand-in Work?</i>
MT 1	The firm	C 2		NO
MT 2	The firm and the market	C 2,3		YES
MT 3	The consumer	C 4		YES
MT 4	The consumer and the market	C 4,5		NO
MT 5	A simple economy	C 6		YES
MT 6	General equilibrium 1	C 7		NO
MT 7	General equilibrium 2	C 7		YES
MT 8	Uncertainty and risk	C 8		NO
MT 9	Welfare 1	C 9		YES
MT 10	Welfare 2	C 9		NO
MT 11				YES
LT 1	Static Games Dominance and Nash Equilibrium	C 10.2 C 10.3.1-4	O2.1, O2.6 O2.8-9	NO
LT 2	Mixed Strategy Nash Equilibrium Oligopoly	C 10.3.5 C 10.4	O4.1-4 O3.1-2	NO
LT 3	Incomplete Information Games Bayes Nash Equilibrium	C 10.7	O9.1-3	YES
LT 4	Dynamic Games Subgame Perfection	C 10.5-6	O5.1-4	NO
LT 5	Imperfect Competition Repeated Games: Introduction			YES
LT 6	Repeated Games: Folk Theorem Adverse Selection: Monopoly	C 10.5	O10.1-3, O15.1 S2, S3.1.3	NO
LT 7	Adverse Selection: Competition Competitive Insurance Markets	C 11.2	S3.2.1	YES
LT 8	Signalling	C 11.3	S4, O10.5-6	NO
LT 9	Moral Hazard	C 11.4	S5.1-3.5	YES
LT 10	Externalities Public Goods	C 13.4 C 13.6.1-4	O2.8.4, O9.5	YES
LT 11				

Examination

There is a two-hour paper in week 0 of the Lent Term (covering the MT syllabus) and a two-hour paper in the Summer term (covering the LT syllabus). Each paper has the same format: eight short questions (worth 5 marks each) and two long questions (30 marks each); you have to answer all the questions. The 2012-2016 papers ([in the Library](#)) can be used as guidance to the style of question and level of difficulty. A specimen paper in this format is available [here](#).